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INDIAN INSTITUTE OF PUBLIC ADMINISTRATION  
BOMBAY BRANCH

SEMINAR

ON

THE PROBLEMS OF URBAN HOUSING

( held in September 1959 )

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SUMMARY OF DISCUSSIONS

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CONCLUSIONS AND RECOMMENDATIONS

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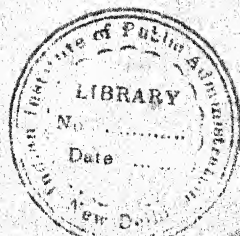
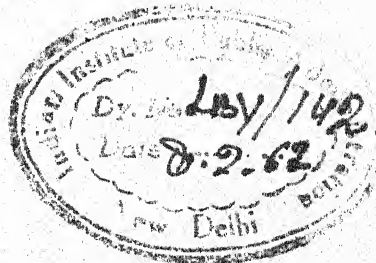
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Sachivalaya,

Bombay



## INTRODUCTION

At the Annual General Meeting of the Bombay Branch of the Indian Institute of Public Administration held on the 28th February, 1959, it was suggested that the Branch should organise seminars on selected subjects and invite persons who could speak with authority on them, to participate. The Executive Committee accordingly appointed a Sub-Committee consisting of Shri V.T. Dehejia, ICS, Shri M.R. Yardi, ICS, and Shri M.G. Pimputkar, ICS, to suggest suitable subjects and work out a plan for the organisation of such seminars. The Sub-Committee recommended the following two subjects:

- (a) Present needs of urban housing with special reference to shortage of finance and materials
- and (b) Agricultural crop improvement and loan finance.

It suggested that Government and non-Government agencies interested in the subject should be invited to participate in the seminar, and a Committee of three persons from amongst the representatives of the agencies should be formed to work out further details.

2. The Executive Committee decided to organise a Seminar on "The Problems of Urban Housing" and appointed a Sub-Committee consisting of Shri Panjabi, ICS (Retd), former Chief Secretary to Government of Bombay, as Chairman and Shri V.L. Gidwani, ICS, Shri B.P. Patel, ICS, Shri R.S. Bhatt, Shri A.B. Carnac and Shri N.S. Pardasani, IAS, as members. Shri C.h. Desai, Housing Commissioner, was later coopted by the Sub-Committee.

3. Various organisations including Government Departments, Statutory Bodies, Municipal Corporations

in the State, private associations and individuals interested in the subject were requested to participate in the Seminar by submitting papers and deputing representatives. A list of organisations and their representatives and the other invitees who participated in the deliberations of the Seminar is given in Appendix A to this volume.

4. In all twelve papers were received for the Seminar and circulated among the participants as background papers. These have been reproduced in Part II of this volume.

5. The Seminar was held on the 6th and 7th September, 1959, at the Sachivalaya, Bombay, under the chairmanship of Shri A.L.Panjabi, ICS (Retd). The Seminar was inaugurated by Shri Sri Prakash, Governor of Bombay.

6. For purposes of discussion, the subject was divided into the following three sections.

I - Financial Aspects including Resources, Taxation Policies, Incentives and Disincentives

II - Planning and Administrative Coordination, Siting, Materials and Designs

III - Construction Agencies.

After the inaugural session in the morning on 6th September Section I was taken up for discussion and was followed by Section II in the afternoon. Section III was discussed in the morning on 7th September and was followed by a general session at which the Chairman summed up the conclusions reached by the Seminar. At his suggestion, a Committee consisting of Shri B.P.Patel, Shri V.L.Gidwani, Shri C.K.Desai, Shri W.X.Mascarenhas and Shri N.S.Pardasani under the chairmanship of Shri A.L.Panjabi was formed to draft a report of the Seminar.

## SUMMARY OF DISCUSSION

### SECTION I : Financial Aspects including Resources, Taxation Policies, Incentives and Disincentives

Initiating the discussion, Shri B.P. Patel stated that divergent and uncoordinated policies pursued by the various taxing authorities - Central and State Governments and Municipal Corporations - were, to a large extent, responsible for the failure of housing construction to keep pace with the growth in urban population. By taking actual figures of taxation levied in the Bombay City, he showed how even on low income group housing, for which Government had recognised the need for a subsidy, the burden of taxation was heavy. As a result, the return on investment on such houses was too low and the rent which was charged ~~was~~ beyond the rent-paying capacity of the class. He suggested that the municipal taxes in Bombay, which were levied on gross rental value should be calculated on the basis of net rental value. At the present, a section of population which was lucky to occupy old houses with low rents also paid less by way of municipal taxes and was thus subsidised by another section which had to pay much higher rents and proportionately higher taxes. He made a fervent plea to change the laws relating to taxation and in particular to modify the relevant provisions of the Rent Act to enable the Municipal authorities to correct the disparity. He agreed that it was necessary to devise a formula which would safeguard the revenues of the Government and at the same time promote the housing activities. Personally he preferred house-building by the cooperative agencies as they extended material benefits to the occupants and made cultural and social



life possible.

Shri V.L.Gidwani observed that due to the difference between ability to pay rents by the tenants and the cost of construction, a subsidy by Central and State Governments, and to some extent, by public bodies and private employers was an inescapable proposition, if we were to provide houses for the poor and middle classes. If subsidy was not provided, the employees would demand higher wages or a house rent allowance. With reference to the question of coordination in taxation policies, he pointed out that Municipal taxation was at present based on the provisions of a State law, the Municipal Corporation Act. He agreed that rateable value would not be an equitable basis for levying taxes. It was a good method when houses were of the same type and when the cost of ~~xxxxxxxxxxxx~~ material was not rising. Some other method of formula which took into account floor area or cost of construction, etc. would now have to be considered. This would involve readjustment of burdens. Unless the public authorities could squarely face the fact that any re-organisation of tax arrangement would mean imposing a larger burden on the tenants who occupied old buildings and unless they reconciled themselves to it inspite of the fact that it might prove to be unpopular, the Municipal authorities would have no way of changing the arrangement.

Shri J.A.Taraporevala pleaded the cause of the middle class people. He showed how if big reservoir of money like Government, Municipalities, Life Insurance Corporation, etc. gave a loan of Rs.12000/- on easy terms and a middle class person contributed Rs.10000/- as his share, a decent house with two bedrooms could be constructed. The latter could own it by paying monthly rental of not more than Rs.100/- for a period of about

25 to 30 years. There was plenty of area in the suburbs where middle class housing colonies could be established. If houses were built in this manner for all the needy persons who were prepared to contribute a sum ranging from Rs.5000/- to Rs.10000/- each towards the cost of construction, we could hope to have a stabilised middle class.

Shri D.R.Pradhan began by referring to a scheme recently instituted by Government by which middle income group persons were to be given loans upto about Rs.25000/- at concessional rates of interest provided a part of the total cost of construction was shared by them. He observed that housing was a complex problem in which conflicting considerations often arose. It was necessary to reconcile these conflicting interests in the best possible manner. He thought it would be reasonable to expect a person to pay anything from 5 to 20 per cent of his earnings by way of house rent. If this range was accepted, it appeared, on the basis of other calculations, that a certain amount of subsidy has to be provided for. The housing problem had been created by rapid industrialisation and all ancillary activities associated with it. Industry, business, Government, etc. had attracted the rural people to urban areas. It, therefore, followed that they should bear some responsibility for housing these people. It was not possible for the employees to build houses for themselves on account of their low wages, nor was it possible for private builders to build these houses ~~for themselves~~ as there was not sufficient incentive in shape of adequate return. Either Government or private employers should, therefore, take the responsibility of building houses. However, as it was not possible for the Government

this connection, the employers must share it. Once they accepted the responsibility, certain difficulties would have to be faced for which cooperation of the Government Municipalities ~~xxxxxxx~~ and other authorities would have to be sought.

Shri L.S.Dabholkar pointed out that the high cost of land and materials was the greatest difficulty to which has been added the various Union, State and Municipal taxes which were ever on increase and noted that the recommendations of the Shroff Committee that the Urban Immovable Property tax should be reduced in relation to the municipal tax in Bombay had not been carried into effect. Because high taxes, the property owners including the Cooperative Societies had often nothing left and had even to fork out from other sources to pay up the taxes. He referred to certain sections (specially 17, 17A, 17B and 17C ) of the Rent Act, Bombay, which did not protect the interests of the tenants and yet prevented individuals and cooperative societies from constructing houses. These provisions, he urged, should be deleted from the Rent Act. The Requisition Ordinance for subletting and abolition of tenure, which was then before the Legislature in the form of a Bill, would, according to him, create difficulties and prevent the property owners or cooperative societies from taking up the housing programmes. He also expressed dissatisfaction with the manner in which Town Planning was being conceived so as to have less houses and more open spaces. In connection with the responsibility of industrialists to build houses for their employees, he emphasised that additional responsibility of this kind should not be fixed on the industrialists of one State but should be taken up as an All-India question. He further pointed out that it was not possible for an industrialist to

spend his capital, which was raised for carrying on industry, on building houses. In case industrialists were required to invest money in houses, some relief in taxation would have to be given to them. He thought that as far as possible rent should not be subsidised as subsidies granted by Government or Public Corporations were ultimately a burden on the public. If the principle of granting subsidy was extended to the industrial workers, it would be impossible for private industry to bear the burden. In the wages fixed for an industrial worker, he stated, rent, food, clothing, etc. were included and as such there was no case for industry to provide housing separately to their workers.

Shri V. Isvaran mentioned two important points. The first point was that housing problem was not static but undergoing changes year after year because of the continuous influx of people from the rural to urban areas. It had, therefore, to be viewed from the broad aspect of the country as a whole. As the influx into cities was due partly to the intolerable conditions prevailing in the villages, the improvement of living conditions in rural areas was worth consideration. People should be discouraged from coming into the cities by adopting measures like dispersal of industries. If employers were compelled to provide housing to their workers, it would act as a disincentive to location of industries in the cities. It would thus ease the problem. His second point was in connection with the payment of subsidy. The amount which Government could pay as subsidy was necessarily limited. If the rate of subsidy was raised, only a small section of the population would get the benefit. It was <sup>not</sup> desirable for Government to frame a policy



ntive to increase the number of houses was, therefore, not practicable. It was necessary to look xxx to loan assistance where the scope is large, both from the State funds and from the funds available in open market. This programme again would not be very popular unless efforts were made to bring down the cost of a house appreciably.

Shri N.S.Giradkar opposed any increase in the rate of return on private investment in urban housing on the ground that it would result in higher rent of houses which would be beyond the capacity of the common people to pay. He suggested that loans should be granted directly to the persons who would be interested in occupying the houses and not to any intermediary agency and added that any proposal to amend the Rent Act should be considered with due care and caution lest it affected adversely the interest of the tenants.

Shri N.D.Mehrotra observed that it was necessary to reconstruct our building industry which had gone down for various reasons. It was not possible for Government to take up the job of building houses for every one. Private investors would come forward to build houses if rent and other controls were withdrawn. They were very resourceful. Any proposal for provision of incentives to industrialists underrated their capacities. He opposed the suggestion that property taxes should be assessed on the net income basis on the ground that if net income basis was accepted, there would hardly be any income left which would be taxed. He denied that there was any case for reducing the annual letting value of houses. There were, in fact, he said, many cases in which the annual letting value was very small. If the rent control was withdrawn and the economic factors were left to determine the cost of materials and buildings, the industrialists would build ~~many~~

a number of buildings. If, somehow or other, they would not do it, industries would be located outside the cities and building activities started there. This would reduce the cost of houses. The influx of population in the cities would also be stopped. He referred to the need for small townships and for creating conditions in villages whereby good houses and employment would be provided locally.

Shri J.V.Patel observed that if the employers were to bear the responsibility of providing houses to their employees, they would increase their profits to balance the loss which they would incur in that connection. This would result in higher prices of commodities and ultimately in reduced production. He also narrated the difficulties experienced by the employers in acquiring land, getting plans approved by proper authorities, securing building materials and getting subsidy and loans from Government.

Shri C.h.Desai observed that housing had become a national problem and as such funds were provided for it in the national plans. Though the funds ought to have come according to the provisions in the plan, they were not paid in time to the construction agencies which had, therefore, to face difficulties. Secondly, the housing which had received a ~~xxxxx~~ status of a social welfare measure was not given priority which was given to production of other essentials like food. The result was that allotment made was inadequate. There was, therefore, a case for reappraisal of our economic planning. The State was not in a position to provide housing to all and sundry. But as it was necessary to build houses and find money for that purpose, he advanced certain propositions as under: -

(a) Those, who have liquid money should provide houses for themselves. They may form themselves into cooperative societies or groups. Others should be enabled to get money on loan. Every employer in urban areas should provide housing to his employees in certain proportion. This policy has been accepted by Government also in providing for its essential personnel. It has, however, to be extended to the weaker classes who are not in a position to shout.

(b) For house rent, 20 per cent was a fair proportion of the wage in urban areas. If it was accepted, the amount of subsidies would be reduced to a large extent.

(c) Resources for housing should be available from the provident fund accumulations, the Life Insurance Corporation and the Banks. The State could also mobilise savings from its employees and others by advancing loans under Low Income Group Housing Scheme. The house-building societies could also be allowed to build houses and sell them on hire-purchase basis to the people, on the condition that they should not earn more than a certain percentage on the capital invested. In this way as many agencies as possible should be brought into the field to solve the problem of housing.

Shri V. Isvaran drew attention to the fact that in Bombay State, Government was allocating more funds for housing than was provided for in the Plan. He also mentioned that moneys were being made available to the Housing Board to acquire and prepare land for the housing schemes in the Third Plan.

Shri V.L. Gidwani referred to the point made by Shri Isvaran that it was not possible for Government to give a higher rate of subsidy because it would mean a

present method of giving subsidy could be so adjusted that instead of being a capital charge on the current year it could be spread over a longer period, viz. the life of the estate and that there could also be amortisation. In this way, a larger section would get the benefit of the subsidy.

Shri S.M.Y. Sastry highlighted the problem which the Bombay Municipal Corporation had to face and mentioned the two suggestions which he made in his paper that a part of the cost of construction might be mobilised from the prospective tenants and that housing could be provided not only from the loan funds but also from the current revenues. He invited attention to some concessions allowed by the Bombay Municipal Corporation in assessing taxes. For the last two or three years, the Municipal Corporation had to some extent reduced its taxation in case of tenements whose rental was Rs.100/- or less. Special concessions were given to cooperative societies and in respect of the tenements of the Housing Board. In a number of cases, it had been found that though a tenement was actually let out at Rs.30/- per month, the proper rent should have been about Rs.60/- on which the Municipal taxes could be levied. However, as it was not possible for a landlord, under the provisions of the Rent Act, to pass on the higher burden to the tenants, the taxes were not assessed on the basis of Rs.60/-. The landlord would, otherwise, be hit harder. In case of ~~owner-occupied~~ owner-occupied properties and cooperative societies, a reasonable rent of the premises was taken into consideration for the purpose of taxes in spite of the fact that some of the tenements of the cooperative societies were let out at a higher rent.

Shri S.P. Zaveri supported the view contained in the papers of Shri B.P. Patel and Shri C.H. Desai and added that the housing problem had not been dealt



with by Government in a realistic and practical manner. The proposal of moving industries out of city was not practicable, as industries and population had grown together. Instead of moving industries, it would be easier to construct houses in the suburbs where land was available at cheaper rates. The land in the city which was very costly should be sold to the industrialists who could afford to pay, and the proceeds might be utilised for development of suitable lands in the suburbs, preferably through an agency like the Improvement Trust. Regarding the problem of demolition of old houses, he suggested that the tenants should be provided with alternative accommodation. The buildings should be rebuilt with extra accommodation. The old tenants then could be given their own accommodation at the old rents and the additional accommodation might be given to new tenants at higher new rents. He also narrated the difficulties experienced by the cooperative societies in connection with getting land and obtaining loans.

Shri H.N.Dallas referred to the efforts made in earlier years by a few individuals who had constructed chawls which were now in delapidated conditions. Though the owners had since gone into liquidation, the buildings were still there. He suggested that the Housing Board or Government should take over the maintenance of these buildings. This would obviate the need for construction of new houses to that extent.

Shri B.P.Patel replied to some of the points made by the previous speakers and said that institutional employers were in fact very keen on promoting housing activity for their employees. But there was a limit to the amount of subsidy to be paid, specially when it was known that out of this subsidy, a large share was required for payment of taxes to various authorities.

SECTION II : Planning and Administrative Coordination, Siting, Materials and Designs

Initiating the discussion, Shri A.B. Carnac observed that in order to ensure proper coordination and planning of housing and allied activities, there should be only one appropriate authority in any particular urban area. The planning authority's function would be to survey the entire area and then to plan the construction of houses demarcating commercial, industrial, residential and other sectors. It would be necessary for the planning authority to get the cooperation of other bodies like the Port Trust, the railways, and the Central and State Governments. Proper planning would also expedite the extension of civic services like drainage, street lights, water supply, etc. to different areas.

Shri C.h.Desai observed that planning on a broader basis was necessary for achieving urban development in desired directions. As industry was mainly responsible for attracting population to towns, it was necessary to plan location of industries and the growth of townships and cities after taking into consideration the needs of the particular regions. It was also necessary to make the best use of land which was scarce. This would involve Town and Country Planning making it mandatory on all concerned to limit their activities in a particular ~~xxx~~ manner. Without it, all activities would suffer and there would not be any coordination. For the proper implementation of this planning, there should be a suitable administrative machinery. A separate Ministry for housing and Town and Country Planning would be required.

problem had to be viewed from two sides - the prevention of existing houses from collapsing and the construction of more houses. The need for statistical data based on proper investigation was acutely felt for planning the construction of houses. without such data, it would be difficult to say exactly how many tenements were needed, what localities would be preferred and to what extent the resources were available and whether they were fully utilised. He supported the case for a separate Ministry for housing and referred to the non-utilisation of funds by the Bombay Housing Board. He thought that the cost of construction by Government agencies was higher than that of private builder.

Shri N.A.Gandhi summarised the points made by him in his paper regarding land, materials and designs. He pointed out that by use of ingenuity, technical knowledge and integrated planning, it would be possible to increase convenience and comforts of the occupants and at the same time effect reduction in cost by judicious use of land, by suitably designing the building and its materials, by inventing better and cheaper substitute materials and making them available in plenty. He urged the need for a detailed "land use survey" and made several suggestions for reduction in cost of certain items in buildings like pannelled walls and doors and windows. He emphasised the need for privacy and sufficient space in the designs for housing.

Shri M.J.Dubash summarised the points made by him in his paper. He pointed out that it would be possible to construct cheaper houses on a large scale by using pre-fabricated building components and materials and by introducing standardisation in materials and designs. He made the following main suggestions: -



(1) Government or some agency should conduct an architectural competition which is long overdue. It should be judged not just from the point of view of economy but also from the point of view of its details which should lend itself to mass production and prefabrication.

(2) Government should send abroad a team to study production and prefabrication techniques.

(3) Housing should be treated as separate industry as distinct from other industries.

(4) It is necessary to put up semi-permanent factories in the heart of residential districts to turn out building components and cater to the housing needs of the locality in its proximity. After a locality is fully developed the factories (which must themselves be of demountable parts) may be shifted to other localities.

(5) Legislation must be passed to allow prefabrication.

Shri W.X. Mascarenhas observed that the various problems relating to housing had been discussed at sufficient length and that what was needed was immediate and continuous action. In undertaking a large programme of housing, it was necessary to aim primarily at utility, simplicity and cheap cost in construction. The minimum requirements of privacy and decent domestic life should also be ensured. Once the dimensions and specifications, he continued, were laid down, the cost of construction would have to be brought down by adopting methods of standardisation and construction on mass scale. He agreed that industrialists should be asked to spend on housing of their employees but only to the extent industry could bear such charges. In connection with the availability of space for construction of houses



in Bombay, he referred to his suggestion made by him many years ago that a rail-cum-road bridge should be constructed across the Thana creek to connect the island with the main land and it should be further extended to connect Thana town so as to have a circular railway system. It would then be possible to develop the whole east bank of the Thana creek in exactly the same way as the west bank had been developed. He endorsed the point of view urged by Shri D.P. Patel regarding the inequity of the basis of municipal taxation in Bombay.

Shri P.N. Daruwala pointed out that housing activity in western countries had been very large in recent years and urged that a similar positive approach should be adopted here. He stated that the cost of tenements built by the Bombay Housing Board could stand comparison with the cost of tenements built by private investors, in spite of the fact that, in some cases, essential services had to be provided by the Board itself. He thought that if the Bombay Municipal Corporation could give cooperation by quickly providing facilities regarding sewage, water supply, road and street lights in the suburban areas, it would be possible for the building agencies to construct houses at a much faster rate.

Shri V.L. Gidwani clarified the points raised by the speakers regarding (a) municipal taxation and (b) facilities and amenities provided by the Municipal Corporation as under: -

(a) The basis of taxation had been embodied in the Municipal Corporation Act. Under its provisions, taxation was based on the general formula of rateable value which was fixed on the basis of the reasonable rent the property was expected to fetch. The Municipal Assessor's actions in this connection were not arbitrary decisions but were subject to interpretation by judicial authority. In many cases, the Municipal Corporation had to fix the tax after taking

into consideration the actual facts in the area. If any change were to be made in this matter, it would be necessary to review the entire taxation arrangements.

(b) Every effort was being made to extend facilities to the newly developed area as early as possible, specially when the prior intimation was received. There were, however, certain practical difficulties in some cases which caused delay. In many cases, suggestions made by the Municipal Corporation with a view to ensuring proper drainage were not receiving proper attention of the construction authorities. He felt that cooperation between the various construction agencies and public authorities could easily overcome any difficulties.

Shri H.V.Tahilramani observed that though ownership flats were the easiest way of providing houses by private efforts and of investing private money in housing, there was formal recognition given to them by municipal and other authorities. As a result, a very important source of finance for this programme was not being fully utilised. He urged that Government should recognise the usefulness of private builders and give them loans to put up houses.

The Chairman remarked that there was at present a lacuna in the law in connection with the status of ownership flats. If that was removed, more persons would come up to build flats on ownership basis and it would be possible to give loans for such construction and regulate the level of profits earned by the builders.

### SECTION III : Construction Agencies

In initiating the discussion, Shri L.S. Dabholkar urged that cooperative societies were the only agency which would really be in a position to

provide houses to all and, therefore, must be encouraged and stepped up. He welcomed the efforts made by certain institutional employers like the Bank of India and the Life Insurance Corporation to give loans at concessional rates of interest to their employees but felt that there was always a sort of mental pressure on those who occupied such houses as to what would happen to their families if they left their employments. The organisation of cooperative societies was the only satisfactory way. The construction of ownership flats by private builders had led to lot of complications regarding title to property.

He then referred to the difficulties experienced by the cooperative societies in the matter of getting registration and obtaining concessions in the municipal taxation. He pointed out that these concessions were subject to such restrictions and strict legal interpretation by the Bombay Municipal Corporation that no cooperative society had been able to get the intended benefit.

He referred to the difficulties which the cooperative societies had to face in getting adequate funds from Government as and when required. He suggested that loans should be given to them at a lower rate of interest with a view to bring down the rents. He <sup>also</sup> suggested that the Life Insurance Corporation should invest a part of its funds in cooperative societies.

He suggested amendments in the Land Acquisition Act and the Rent Act to enable the cooperative societies to obtain land easily for housing purposes.

He referred to the restrictions imposed by the Reserve Bank of India to prevent Joint Stock Banks from advancing loans to cooperative housing on the ground that such advances would be 'sticky'. He thought that <sup>as</sup> long as the advances were safe, there should be no objection and therefore urged that these restrictions should be

relaxed.



The Chairman offered clarifications regarding some of the points raised by Shri Dabholkar.

(a) Regarding difficulties in the matter of registration, the Chairman said that as cooperative societies were entitled to certain special concessions at the cost of tax-payers, it was the duty of the Registrar to make sure that these societies were bonafide ones.

(b) Regarding the rates of interest charged to cooperative societies, the money rates having generally gone up, the cooperative societies should not mind paying what was the actual rate of interest on similar investment.

(c) The Banks could not be expected to lock up their money by giving long term loans for construction of houses. However, if the cooperative societies could build up sufficient credit for themselves and played their part well, the Banks might, within certain limits, provide finance against house securities.

Shri M.P. More observed that the cooperative societies found the terms of the Bombay Cooperative Housing Finance Society as exacting as the latter viewed the terms offered to it by Government. He mentioned the possibility of raising finance from the employees and stressed the need for better cooperation between employees and employers.

Prof. G.M. Mandalia advocated the adoption of group housing scheme for private employees under which the prospective owners could themselves take part as builders, by contributing labour, after a short training. He thought that the rent of houses should not be more than ten per cent of the income of the persons occupying the houses and that taxes on new buildings constructed with self-help should not be charged for a period of five years.



Shri A.A. Brinivasan explained why the Life Insurance Corporation was charging five per cent as rate of interest on the loans given to the Central Cooperative Housing Finance Societies. He said that the Corporation had to look after the interest of policy-holders and as such its premiums from the policy-holders and the interest on loans advanced were based on the minimum net yield of three per cent.

Shri G.C. Daveja suggested that Government should also provide housing accommodation to its employees and set a good example to others so that it could call upon other employers and industrial establishments to provide housing for their employees. He referred to the restricted nature of advance given by Government to its employees for building houses. On one hand, it was the policy of Government to post government servants outside their home districts, and on the other, advances were given to them for ~~building~~ building houses at the places of postings. He urged that advances should be given to government servants to build houses where they wished to settle after retirement.

Shri D.K. Pradhan supported the point of view of Shri Daveja regarding the need for a larger construction programme for housing its employees by Government and quoted figures to show the size of the problem.

Shri H.J. Shah invited attention to the existing departmental contract form which was out-of-date and had no bearing on modern requirements. He pleaded for modification in the form with a view to avoiding delays, corruption and heavier cost of construction. He complained that building materials were not easily available in market due partly to the unrealistic policies followed by the State Trading Corporation.

Kai Sahib Bhagwandas described how a rapid construction programme had been carried out some years back in Karachi and emphasised the need for rooting out corruption which had been eating into the vitals of society. For this purpose, he urged that controls should be removed.

Shri W.X. Mascarenhas agreed with the point made by Shri Shah that the existing departmental agreement form under which powers regarding quantity of materials and workmanship were vested in Public Works Department Officers was very largely responsible for the high cost of construction and suggested that any dispute between the builder and Government or owner should be referred to arbitration. Regarding house-building by 'Shramdan', he stated that it would not succeed in cities where land was limited and valuable and a number of flats had to be constructed in the same building.

Shri C.K. Desai stated that though in initial stages a change in the departmental contract form might lead to higher costs, there was a case for changing the form provided both the supervising authority and the construction authority <sup>and the construction authority</sup> trusted each other. He observed that allegation of corruption in this connection was a symptom of mounting corruption in society and suggested that the heads of Departments should exercise greater authority and vigilance.

The Chairman, concluding the discussion, congratulated the Bombay Branch of the Indian Institute of Public Administration for having organised the Seminar. To focus attention on the subject, he suggested that a Committee consisting of Shri B.P. Patel, Shri V.L. Gidwani, Shri C.K. Desai, Shri W.X. Mascarenhas, Shri N.S. Pardasani and himself should be formed to draft a report in the light of discussion and conclusions reached. The Commi-

Committee should endeavour to send copies of the report to the Government of India, all State Governments, Municipal authorities, etc. to invite attention to the recommendations of the Seminar. He thanked all the participants for their cooperation. He hoped that their efforts would contribute to lightening of difficulties of the urban dwellers and would have some influence on Government and other authorities for taking active interest in the problem.

Shri L.S.Dabholkar thanked the Chairman and the Bombay Branch of the Indian Institute of Public Administration for having organised the Seminar on an important subject.

Shri N.S.Pardasani, Honorary Secretary of the Bombay Branch of the Indian Institute of Public Administration, thanked all the participants for making the Seminar a success and expressed gratitude to the Chairman for having taken considerable trouble to conduct and guide the deliberations of the Seminar.

#### CONCLUSIONS AND RECOMMENDATIONS

The Seminar was called to consider how the shortage of housing in the urban areas could be made <sup>good</sup> as quickly as possible. In the absence of reliable data pertaining to areas other than Bombay State, the Seminar confined its recommendations to Bombay State only. It hoped that the problem in other States would be tackled on similar lines.

2. The Seminar felt that the shortage of housing in urban areas was acute and the situation would grow worse if not tackled on emergency lines. In the absence of proper housing, living conditions were deteriorating, bringing in their train evil effects not only on the health but also on the ~~m~~orals of the people.



The shortage in urban housing should, therefore, be good as quickly as possible. The Government and the public should give this a high priority next only to food.

The Seminar considered the various aspects of the problem of urban housing under the following three heads.

- I - Financial Aspects including Resources, Taxation Policies, Incentives and Disincentives.
- II - Planning and Administrative Coordination, Siting, Materials and Designs.
- III - Construction Agencies.

I : Financial Aspects including Resources, Taxation Policies, Incentives and Disincentives

Regarding the provision of financial resources and the grant of adequate incentives to those who are expected to build houses and keep them in good repair, the following recommendations were made.

A. Resources

i) In view of the acute shortage of houses in urban areas, there should be larger provision of funds for housing in the Third Plan.

ii) Government, Local Authorities and Public Corporations should accept responsibility for housing their employees according to a definite programme spread over a period of about ten years.

iii) The large-scale employers should undertake responsibility of housing their low-paid employees at a reasonable rent in relation to their wages. The excess cost to the employers should be considered as a necessary supplement to the wages.

iv) The houses built by Governments, the Corporations and employers may be sold on hire-purchase basis to the occupants ~~reasonably~~ <sup>thought</sup> a medium of Housing



v) Amounts accumulated in the provident funds of the employees should be made available for constructing houses for the employees.

vi) The Life Insurance Corporation should give substantial help to housing by giving loans to cooperative ~~housing~~ housing societies.

vii) The Central and State Governments should continue, and extend as far as possible, the scheme of granting subsidies and loans for housing industrial workers and low income group employees.

viii) The establishment of House Building Societies should be encouraged by Government.

ix) Persons in need of houses should be encouraged either directly or through cooperative societies to come out with their savings to provide a part of capital cost, the balance being given to them as loans to be returned with interest over a stated period.

x) Concrete schemes suited to the financial resources of different sections of the people should be worked out in advance and popularised among them.

#### B. Incentives

i) There is a wide gap today between the rent-paying capacity of the large body of people in towns and the economic return on the cost of construction. Every effort should, therefore, first be made to build modest houses which are within the means of the class of the people for whom they are intended. The capital cost of a house should bear a reasonable proportion to the income of the persons concerned as the rent-paying capacity is generally related to income. It is, however, necessary that certain minimum standards of decency and health are also observed.

ii) The need for subsidising the construction

group people is obvious and has already been recognised. The present policy of loans and subsidies should, therefore, continue and be extended in accordance with the resources available. The responsibility of Governments, Central and State, would have to be shared by other bodies like Municipal Corporations and industrial employers.

iii) The grant of subsidy can be legitimately claimed only for the weaker sections of the society. The rest will have to reconcile themselves to paying large proportion of their income, say, 15 to 20 per cent, by way of rent. Unless this is accepted, housing will not be an economic proposition and ~~no~~ no large-scale construction of houses can be reasonably undertaken by any agency - private, cooperative or otherwise. There is also a limit to which Government can subsidise the construction of houses.

iv) It is noticed that the system of taxation - Central, State and Local - is such that the total burden on new houses, even when they are intended for low income group persons, is intolerably high and in some cities like Bombay exceeds even the total rent-paying capacity of the class of people concerned. This defeats the Government policy of encouraging housing by means of subsidies to keep down the rents. The situation has arisen due to lack of coordination among the taxing authorities. The basis of taxation should be net income rather than the gross income inclusive of the different taxes, the cumulative effect of which is very considerable. This question should be examined in detail and brought to the notice of the authorities concerned.

v) Regarding the taxation by local authority, there are certain anomalies due to the calculation of the Municipal tax on the basis of gross rental value as in Bombay, and the operation of the Rent Act which has frozen the rents of old houses. As a result, the tenants of the new houses, who are already at a disadvantage as they have to pay much higher rents, are also required to pay proportionately more by way of municipal taxation which has, therefore, been acting as a disincentive to the building of new houses. Municipal taxation should be rationalised by basing the property tax on the net rent and not on the gross rental value. In order to encourage housing, the rateable value as the basis of municipal tax should be calculated after deducting from the gross rent the statutory taxes to be paid to the Central and the State Governments and the Municipal authorities. For this purpose, legislation, if necessary, should be undertaken. The loss in municipal revenue may <sup>made</sup> be ~~good~~ by imposing a suitable increase in rental value of frozen rents under the protection of the Rent Act, making tenants liable for the increased taxes to the municipal authorities without increasing the rent to be paid to the landlords.

vi) It is necessary to provide certain measure of relief in Central taxation so as to enable investment in housing to obtain returns similar to those available to investment in small-savings. In particular, in the case of new houses carrying rent upto Rs.100/- per month occupied by low income group families, the income accrued therefrom should be exempted from Central taxes for a period of ten years. The State Government and Local Authority should give a rebate of 50 per cent of the general tax and the urban immovable property tax for a period of ten years. In the case of new



residential buildings, non-agricultural assessment on land should not be levied at least for the first period of five years after the completion of the buildings. Certain restrictive ~~xxxxx~~ provisions in the Rent Act should be suitably modified so as to ensure that private housing accommodation is not exploited by tenants.

vii) Individuals, Cooperative <sup>Housing</sup> Societies, and Housing Institutions should be helped to obtain loans speedily at reasonable rates of interest on easy terms. This can be done by the Government guaranteeing the loans to the ~~xxxxx~~ Cooperative Housing Societies.

viii) Government should take steps to enable those who intend to build residential accommodation to secure requisitioned land for the purpose in developed sites at reasonable prices and within reasonable time.

## II : Planning and Administrative Coordination, Siting, Materials and Designs

The following suggestions and recommendations were made.

i) The influx of population in the overcrowded cities should be diverted by planning the location of industries in new areas where surplus labour is available. Coordination between various agencies - Central and State Governments, the Municipal Authorities, the large-scale employers, the Financing Agencies and the Housing Cooperatives - is necessary in order to secure a speedy and effective action for this purpose. There should, therefore, be at the Centre and in each State a separate Ministry of Town and Country Planning, Housing and Local Government to secure integrated action in providing good housing, diffusion of industries, provision of civic amenities to new areas and their proper development. Legislative and administrative measures should be taken to -



(a) control location of industries with a view to secure their dispersal, and

(b) provide for subsidy and acquisition of land on compensation calculated on the basis of existing value of land as opposed to its potential use.

ii) Master plans must be prepared by every local authority within a period of five years on the basis of modern town planning demarcating zones for various land used including various amenities and open spaces. Green belts must be provided to prevent indiscriminate expansion of the town limits and its populations.

iii) The technical questions connected with quicker and cheaper production of building materials including the extension of the principle of prefabrication should be under the constant scrutiny of a standing body of building agencies whose advice should be made available to the constructing authorities from time to time.

### III : Construction Agencies

The Seminar considered that encouragement of Cooperative Housing Societies by Government and the Municipal bodies would yield the best results, particularly in the housing of lower income groups. It would encourage not only self-reliance but also the building of a community life in urban areas where the bonds holding people together were so loose. It would further encourage the habit of thrift, because people would like to save money and pay for their own houses in easy instalments. There was, therefore, a strong case for a high priority being given to Cooperative Housing Societies in the matter of providing finance, land, building materials, relief in taxation and grant of subsidies. The Seminar made the following specific suggestions for the purpose.

1) Financial resources should be made available to Cooperative Societies at cheap rates of interest on a long term basis. The Societies can give the necessary security because at least thirty per cent of the cost of land and building is contributed by the members. The Central and State Governments, the Life Insurance Corporation and other investing agencies could help in this matter.

ii) Suitable land should be made available to the societies. They cannot compete in an open market auction. Suitable vacant lands of municipalities or of Government should first be offered to them. A provision for compulsory acquisition of land already exists and is being used for the needs of societies, but the general feeling is that the acquisition proceedings take too long a time and severely tax the patience and enthusiasm of the small man who has put his life-savings in the society. The acquisition proceedings should, therefore, be speeded up.

iii) Building materials tend to go up in prices and some have been scarce. Cooperative Societies should be given an adequate quota of controlled materials to enable them to carry out their building programmes as quickly as possible.

iv) Some relief in the matter of municipal taxation is also necessary in order to give an incentive to the societies. Lower rates of house-taxes may be fixed for the initial period of five years and this will actually lead to a spurt in house-building activities and in course of time add to the income of the municipal bodies.

v) Subsidies for housing of low income groups should continue to be given by the Government as is being done at present in the case of housing for industrial workers. The cost of construction has gone

up so high that it is difficult for the working and the lower middle classes to construct houses on which instalments have to be paid from their meagre incomes.

vi) In order to ensure that the Cooperative Societies are not exploited by undesirable elements, it is necessary to provide for guidance and supervision of the societies. Recently there has been a tendency in Bombay to put up ownership flats constructed by private enterprise which are later converted into cooperative societies. Before cooperative societies are formed or sanctioned, the Cooperative Department should assure itself that there is no exploitation by private enterprise.

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## LIST OF PARTICIPANTS

Director of the Seminar - Shri A.L.Panjabi, ICS(ketd).

### Members of the Executive Committee

1. Shri N.T.Mone, ICS,  
Chief Secretary to Government of Bombay.
2. Shri D.K.Pradhan, ICS,  
Special Secretary to Government of Bombay,
3. Shri V.L.Gidwani, ICS,  
Municipal Commissioner, Bombay.
4. Shri K.S.Bhatt,  
Member, Tariff Commission, Bombay.
5. Shri N.S.Pardasani, IAS,  
Deputy Secretary to Government of Bombay.

### Members of the Seminar Sub-Committee

6. Shri B.P.Patel, ICS,  
Managing Director,  
State Bank of India, Bombay.
7. Shri C.A.Desai,  
Housing Commissioner, Bombay.
8. Shri A.B.Carnac,  
City Engineer,  
Bombay Municipal Corporation.

### Finance Department, Government of Bombay

9. Shri V.Isvaran, ICS,  
Secretary to Government of Bombay.
10. Shri A.Kamkrishna Aiyar, IA & AS,  
Deputy Financial Adviser to  
Government of Bombay.

### Public Works Department, Government of Bombay

11. Shri F.J.Heredia, IAS,  
Deputy Secretary to Government of Bombay.
12. Shri S.V.Lonkar,  
Deputy Secretary to Government of Bombay.

### Labour & Social Welfare Department, Government of Bombay

Shri C.A.Desai,  
Housing Commissioner, Bombay.

### Bombay Municipal Corporation

13. Shri S.M.Y.Sastry,  
Deputy Municipal Commissioner.
14. Shri N.A.Gandhi,  
Senior Assistant Engineer.



Bombay Port Trust

15. Shri F.D.Daruwala,  
Executive Engineer.
16. Shri N.H.Tambe,  
Officer-in-charge, Designs.

Bombay Housing Board

17. Shri P.A.Daruwala,  
Executive Engineer.

Life Insurance Corporation

18. Shri W.A.Mascarenhas,  
Executive Director.
19. Shri A.H.Srinivasan,  
Executive Director.
20. Shri J.A.Taraporevala,  
Superintending Supervisor of Works.

Ahmedabad Municipal Corporation

21. Shri A.H.Gandhi,  
Deputy Engineer.

Vidarbha Housing Board

22. Shri N.M.Muley,  
Assistant Secretary.
23. Shri D.P.Dave,  
Divisional Engineer.

Bombay Cooperative Housing Finance Society Ltd.

24. Shri L.S.Dabholkar, Director.
25. Shri P.B.Desai, Director.

Bombay Cooperative Housing Federation Ltd.

Shri L.S.Dabholkar, Chairman.

26. Shri A.H.Kulkarni, Honorary Secretary.

Indian Merchants' Chamber

Shri L.S.Dabholkar.

All India Manufacturers' Organisation

27. Shri J.V.Patel, Honorary Treasurer.

Employers' Federation of India

28. Shri N.M.Vakil, Joint Secretary.

Bombay Industries' Association

29. Shri S.P.Zaveri, Member.

Bombay Millowners' Association

30. Shri H.D.Gokhale,  
Labour Officer.
31. Shri M.S.Warty,  
Deputy Labour Officer.

Builders' Association of India

32. Shri H.J.Shah, President.
33. Bai Sahib Bhagwandas, Ex-President.

Bombay Tenants' Association

34. Major S.K.Bamji, Vice-President.
35. Smt. Sera Vazifdar, Joint Secretary.
36. Shri N.S.Giradkar, Joint Secretary.
37. Shri M.P.More, Member.
38. Shri Harivallabh Sharma, Member.

Indian Institute of Architects

39. Shri M.N.Dallas, Chartered Architect.
40. Shri M.J.Dubash, Chartered Architect.

Indian Institute of Technology, Aharagpur:

41. Prof. G.M.Mandalia,  
Professor of Architecture,  
Department of Architecture and  
Regional Planning.

Invitees

Members of the Branch

42. Shri N.D.Mehrotra,  
Commissioner of Income Tax,  
Bombay.
43. Shri O.K.Ghosh,  
Accountant General,  
Bombay.
44. Shri S.H.Belavadi,  
Secretary, Bombay Legislature Secretariat,  
Bombay.
45. Shri L.N.Bongirwar, IAS,  
Deputy Secretary to Government of Bombay.
46. Shri G.C.Daveja, IAS,  
Deputy Secretary to Government of Bombay.
47. Shri N.D.Buch, IAS,  
Deputy Secretary to Government of Bombay.

48. Shri B.S.Bhatnagar,  
Forbes, Forbes Campbell & Co.Pri.Ltd.,  
Bombay.
49. Shri G.H.Lalwani, IAS,  
Deputy Secretary,  
Department of Atomic Energy,  
Government of India, Bombay.
50. Shri A.P.Goel,  
Personnel Officer,  
Namani Engineering Corporation,  
Bombay.
51. Shri Nailash Prakash,  
Superintendent of Post Offices,  
Bombay.

Members of Legislative Assembly, Bombay.

52. Shri F.M.Pinto, M.L.A.

Bombay Municipal Corporators

53. Shri B.P.Divgi,  
Chairman, Standing Committee,  
Bombay Municipal Corporation.
54. Shri M.Madhavan,  
Chairman, Improvements Committee,  
Bombay Municipal Corporation.

Others

55. Shri M.Datta,  
Director of Commercial Audit, Bombay.
56. Shri B.P.Derda,  
Assistant Housing Commissioner, Bombay.
57. Shri Ramchandra Rao,  
Deputy Director of Audit, Bombay.
58. Prof. D.R.Dalvi,  
Victoria Jubilee Technical Institute,  
Bombay.
59. Shri P.M.Doshi, Chartered Architect.
60. Shri N.G.Doshi, Chartered Architect.
61. Shri H.V.Tahilramani, Private Builder.
62. Shri N.D.Thakkar.
63. Shri Govardhandas Mehta.

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